

Message Text

CONFIDENTIAL

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67

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SCEM-02 COME-00 OMB-01 TRSE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 2144

C O N F I D E N T I A L OTTAWA 2778

E.O. 11652: GDS

TAGS: ENRG, CA, US

SUBJECT: CANADIAN RESIDUAL FUEL OIL EXPORTS TO THE UNITED
STATES: OWNERSHIP QUESTION.

REF : OTTAWA 2752

1. AS DEPARTMENT AWARE, THERE HAS BEEN CONSIDERABLE HEAT DEVELOPED IN PRESS AND CONGRESSIONAL CIRCLES OVER ALLEGATIONS THAT CANADA HAS INTERFERED WITH EXPORTS OF U.S.-OWNED OIL PRODUCTS. ONE EXAMPLE HAS BEEN THE R.B. NEWMAN CORPORATION (BUFFALO) WHICH HAS CLAIMED OWNERSHIP THROUGH PRE-PAYMENT OF FUEL STORED BY SAINT CATHARINES FUEL IN CANADA.

2. IN A CONFIDENTIAL MEMORANDUM (DATED NOVEMBER 14) PREPARED BY THE NATIONAL ENERGY BOARD (NEB) AND ADDRESSED TO ENERGY MINISTER MACDONALD, IT IS STATED THAT THE NEB IS UNAWARE OF ANY CASE WHERE OIL PURCHASED OVERSEAS BY AN AMERICAN COMPANY AND TERMINALLED IN CANADA IS THE SUBJECT OF AN OUTSTANDING EXPORT LICENSE APPLICATION. THE MEMO GOES ON TO SAY THAT WITH REGARD TO REPORTS ON U.S. OWNERSHIP THE ONLY CASE "NEAR TO TRUTH" IS THE ONE INVOLVING R.B. NEWMAN WHICH PRE-PAID ST. CATHARINES FUELS FOR OIL IMPORTED BY CANADIAN FUEL MARKETERS (CFM). THIS OIL, HOWEVER, WAS IN CFM'S OWNERSHIP AT TIME OF IMPORT.

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3. WITH REGARD TO THE NEWMAN CASE, PRIDDLE (NEB'S OIL POLICY BRANCH DIRECTOR) TOLD AN EMBOFF IN STRICTEST CONFIDENCE THAT THE NEB WAS AWARE THAT CFM HAD PROVIDED NEWMAN WITH THE PRE-PAYMENT MADE TO ITS (CMF'S) OWN SUBSIDIARY, ST. CATHARINES FUELS. ACCORDING TO PRIDDLE, THIS DEVICE WAS EMPLOYED BY CFM TO ENABLE NEWMAN TO SUBSEQUENTLY CLAIM AMERICAN OWNERSHIP OF THE OIL, THUS HOPEFULLY OBTAINING MORE FAVORABLE CONSIDERATION OF THE EXPORT LICENSE APPLICATION BY THE NEB. PRIDDLE CONTENTED HOWEVER THAT THIS "HUSH-HUSH" ARRANGEMENT HAS IN NO WAY INFLUENCED THE NEB'S DECISION ON LICENSES FOR NEWMAN WHICH WAS GRANTED APPROVAL FOR 30,000 BARRELS ON NOVEMBER 14 (OTTAWA'S 2704). PRIDDLE DESCRIBED THIS AS ANOTHER EXAMPLE OF CFM'S "FREE-WHEELING" DEALS.

SCHMIDT

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